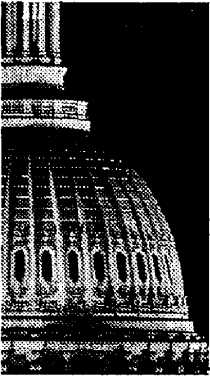


# Competitive Sourcing Panel

DoD Maintenance Symposium

19 October 1998

**Jim Hopp**

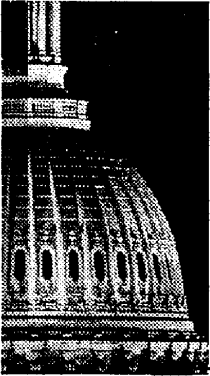


# Definitions

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- **Outsourcing + Privatization = Competitive Sourcing**
  - **Outsourcing:** The process of contracting-out functions that are traditionally done in-house to the private sector (or another provider). Facilities and equipment are usually furnished as GFM.
  - **Privatization:** The process of shifting in-house functions to the private sector (or another party) by selling the assets necessary to perform the function.
  - **USD(A&T):** “Competitive sourcing of all but inherently governmental functions and the rapid reduction in the civilian and military workforce...” is one of the courses of action to reduce costs within DOD.\*

\* USD(A&T) speech to AUSA, 9/2/98

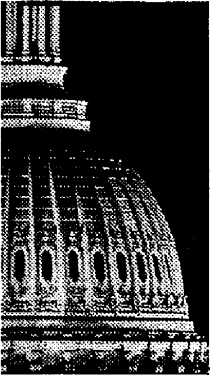


# Survey Data

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- **44% of retailers are outsourcing operating functions to 3rd parties**
- **< 30% of Supply Chain functions are outsourced, except for Transportation of goods. On average:**
  - **Transportation 54%**
  - **Information systems 26%**
  - **Warehousing 24%**
  - **Manufacturing 24%**
  - **Repair/Warranty 20%**
  - **Procurement 17%**
  - **Inventory Management 9%**

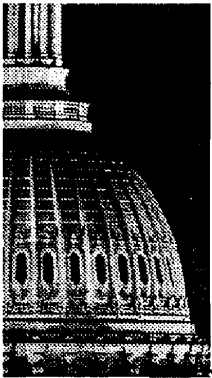
Source: KPMG Global Supply Chain Study, Jan 98. Prepared in conjunction with J.L. Kellogg Graduate School of Management, Northwestern University



# Opportunities

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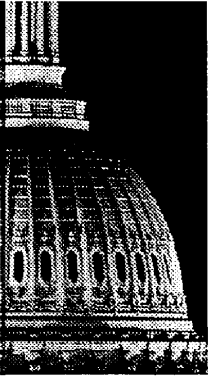
- Base Support Services
- Depot Maintenance
  - **Aircraft PDM**
  - **Major end item repair & overhaul**
  - **Component overhaul & repair**
- Supply Chain Management
- Training
- Technical Services
- Public-Private Partnerships



# Public-Private Partnerships (PPV)

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- PPVs are authorized by numerous Sections in 10 USC.
  - Provide increased utilization of under-utilized capacity and equipment.
  - Provide opportunity for retention and utilization of skills that are needed for wartime surge.
  - Reduce O&M costs and capital requirements to the partners
- There are examples of PPVs that are saving DOD and industry money.
- Must be a business arrangement that all parties view as beneficial and makes economic sense.
- The authority is available; direction to implement is needed.



# Issues

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- **Need to clearly identify “CORE” functions.**
  - 50/50 requirement
  - Different by Service
  - Confusion within DOD and Industry. What really is “CORE”:
    - Is the C-17 with its Flexible Sustainment concept?
    - Is the C-5 since it was the subject of a PPV competition?
    - Are commodity shops like Hydraulics & Instruments at SM-ALC?
- **How to implement Public-Private Partnerships.**
- **How to make the best use of the Center for Industrial and Technological Excellence (CITE) authority for win-win business arrangements**